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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/625,001	07/22/2003	Gary William Flake	5598/68	8178

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EXAMINER	
BORLINGHAUS, JASON M	
ART UNIT	**PAPER NUMBER**
3628	

DATE MAILED: 10/20/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	10/625,001	FLAKE ET AL.	
	Examiner	Art Unit	
	Jason M. Borlinghaus	3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *04 August 2005*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-17* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-17* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

EA

DETAILED ACTION

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

The factual inquiries set forth in *Graham* **v.** *John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

Claims 1, 6 and 8 – 13 are rejected under 35 U.S.C. 103(a) as being unpatentable over Chan (Chan, N.T., Dahan, E., Lo, A.W. and Poggio, T. *Experimental Markets for Product Concepts.* Center for eBusiness @MIT. Paper 149, July 2001) in view of Davis (US Patent 6,269,361).

Regarding Claim 1, Chan discloses a computerized system (virtual stock market) for allowing transactions in instruments (virtual securities), the instruments being capable of being valued based on concepts (underlying products and services). ("The essence of the markets for product concepts center around the establishment of virtual stock markets that trade virtual securities, each associated with an underlying product or service...Upon entering the concept market, each participant receives an

initial portfolio of cash (virtual or real) and virtual stocks...The objective of the market game is to maximize the value of the portfolio, evaluated at the market closing price." – see p. 1, lines 18 - 24 – "maximizing the value of the portfolio" requires that the portfolio's component concepts possesses value); and

a method for determining a payoff (profit/loss) on an instrument capable of being valued based on concept (value of the portfolio). ("The objective of the market game is to maximize the value of the portfolio, evaluated at the market closing price. If participants play with real money, they will have the opportunity to profit from trading..." – see p. 1, lines 23 - 25 – "opportunity to profit" requires that there must be some method to determine payoff), the method comprising:

- determining the value of the concept at a first time (supra); and
- determining the payoff based on the instrument and based on the determined value of the concept (supra).

Chan does not teach that:

- the value of instruments are based on values of term-based concepts; and
- the terms of the concepts are useable in computerized searches.

Davis discloses that term-based concepts (keywords) have value and are useable in computerized searches. ("In this on-line marketplace, companies selling products, services, or information bid in an open auction environment for positions on a search result list generated by an Internet search engine...The higher an advertiser's position on a search result list, the higher likelihood of a "referral"; that is, the higher the likelihood that a consumer will be referred to the advertiser's web site through the

search result list. The openness of this advertising marketplace is further facilitated by publicly displaying, to consumers and other advertisers, the price bid by an advertiser on a particular search result listing." – see col. 3, line 62 – col. 4, line 9).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to have modified Chan by incorporating term-based concepts, as was disclosed by Davis, as the "underlying product or service" upon which the instruments (virtual securities) can be based, to allow for the trading of instruments based upon term-based concepts (keywords), another product with an already established value within the marketplace.

Regarding Claim 6, Chan discloses a method comprising:

- using a futures-based payoff technique in determining the payoff. (In Chan's discussion of Iowa Electronic Markets (IEM), Chan states "The IEM features real-money futures markets in which contract payoffs depend on the outcome of future political and economic events." – see p. 4, lines 1 - 3).

Regarding Claim 8, Chan discloses a method comprising:

- denominating the payoff in at least one of real currency. ("If the participants play with real money, they will have the opportunity to profit from trading..." – see p. 1, lines 24 – 25);
- fake currency, game currency, coupons, discounts, certificates, and rights. ("If fictitious money is used, prizes can be awarded according to individual's performance." – see p. 2, lines 1 - 2 – while Chan does not

explicitly state "fake currency, game currency, coupons, discounts, certificates, and rights" it would have been obvious to that Chan could award any type of prize that he desired).

Regarding Claim 9, Chan discloses a method comprising:

- determining the payoff based upon instrument value. ("The objective of the market game is to maximize the value of the portfolio, evaluated at the market closing price. If participants play with real money, they will have the opportunity to profit from trading..." – see p. 1, lines 23 - 24).

Chan does not teach a method comprising:

- determining the payoff in rights relating to advertising.

Davis discloses:

- the value of concept is based upon rights related to advertising (higher likelihood of referral to advertiser's web site). ("The higher an advertiser's position on a search list, the higher likelihood of a "referral"; that is, the higher the likelihood that a consumer will be referred to the advertiser's web site through the search result list." – see col. 4, lines 2 – 6 – establishing that the right to the keyword is a right to advertising.)

It would have been obvious to one of ordinary skill in the art at the time the invention was made to have modified Chan by incorporating a payoff in rights to advertising, as was illustrated by Davis, since the value of the concepts underlying the traded instruments of the marketplace are already tied to rights to advertising.

Regarding Claim 9, Chan discloses a method comprising:

- determining the payoff based upon instrument value. ("The objective of the market game is to maximize the value of the portfolio, evaluated at the market closing price. If participants play with real money, they will have the opportunity to profit from trading..." – see p. 1, lines 23 - 24).

Chan does not teach a method comprising:

- determining the payoff at least one of rights to clicks and rights to impressions.

Davis discloses:

- the value of the concept is based upon the rights to clicks (search result list click through) and rights to impressions (appearance on search result list). ("In this on-line marketplace, companies selling products, services, or information bid in an open auction environment for positions on a search result list generated by an Internet search engine. Since advertisers must pay for each click-through referral generated through the search result lists generated by the search engine, advertisers have an incentive to select and bid on those search keywords that are most relevant to their web site offerings." – see col. 3, line 62 – col. 4, line 2).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to have modified Chan by incorporating a payoff in rights to clicks and rights to impressions, as was illustrated by Davis, since the value of the concepts underlying the traded instruments of the marketplace are already tied to rights to clicks and rights to impressions.

Regarding Claim 11, Chan discloses a method comprising:

- using the instrument at least one of a speculating tool, a forecasting tool and a data generation tool. ("Different non-financial markets have been established for opinion polling, forecasts and predictions." – see p. 3, line 21).

Regarding Claim 12, Chan discloses a method wherein:

- an entity (virtual stock market) that at least in part facilitates allowing of transactions (buy/selling) capable of being valued (determining profit/loss) based on values of instruments (virtual securities). (supra).

Chan does not teach a method wherein:

- an entity also at least in part facilitates Pay-per-click auctions for rights associated with the concepts, and comprising the entity deriving revenue from at least one of transaction fees, listing fees, institutional participation fees, institutional participation fees, data sale and publicity.

Davis discloses a method wherein:

- an entity (Internet search engine) also at least in part facilitates Pay-per-click auctions for rights associated with the concepts (keywords), and comprising the entity (Internet search engine) deriving revenue from listing fees (bid for placement on search result list). ("In this on-line marketplace, companies selling products, services, or information bid in an open auction environment for positions on a search result list generated by an Internet search engine." – see col. 3, line 62 – 65).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to have modified Chan by incorporating an entity which facilitates Pay-per-click auctions for concepts and derives revenue from the same, as disclosed by Davis, to also facilitate transactions in instruments based upon the same concepts, as that entity ultimately provides the concept with its value based upon its use in its search result list and manages transactions in the product underlying the instrument.

Regarding Claim 13, further system claim would have been obvious from method claims rejected above and is therefore rejected using the same art and rationale.

Claims 14 – 17 are rejected under 35 U.S.C. 103(a) as being unpatentable over Chan and Davis, as applied to Claim 1 above, and further in view of Disclosed Prior Art (applicant's specification, p. 2, lines 1 – 2).

Regarding Claims 14 – 15, Chan discloses a method:

- wherein a portfolio comprises a plurality of instruments. ("Upon entering a concept market, each participant receives an initial portfolio of cash (virtual or real) and virtual stocks." – see p. 1, lines 21 – 22).

Chan does not teach a method:

- wherein the concepts comprise a plurality of terms related to a theme; and
- wherein the concepts comprise a plurality of unrelated terms.

Davis discloses a method:

- wherein the concepts (search term) comprise a plurality of terms (keywords) related to a theme (relevant to content of advertiser's website). (see col. 12, lines 40 – 44).

Disclosed Prior Art discloses a method:

- wherein the concepts (terms) relate to a theme (see specification, p. 2, line 1 – 2).

Having an instrument (a share in a fund) based upon an underlying product (an investment fund) which comprises a plurality of products (component securities) related to a theme (industry fund, sector fund) or a plurality of unrelated products (diversified mutual fund) is old and well known in the art of finance and investment.

It would have been obvious to one of ordinary skill in the art at the time the invention was made to have modified Chan by allowing the concept underlying the instrument to comprise a plurality of related concepts, as disclosed by Davis and as is old and well known in the art, related by a theme, as disclosed by Davis and Disclosed Prior Art, or to comprise a plurality of unrelated concepts, as is well known in the art, to account for standard practices in the instrument markets and in the market for the products underlying the instruments.

Regarding Claims 16 – 17, further system claims would have been obvious from method claims rejected above, Claims 1 and 14 - 15, in combination, and are therefore rejected using the same art and rationale.

Response to Arguments

Applicant's arguments filed 8/4/2005 have been fully considered but they are persuasive.

Regarding the previous election/restriction requirement, the applicant argues that "a valid species election has not been made." (see Applicant's Arguments, p. 6). The current examiner respectfully disagrees.

In the initial Requirement for Election/Restriction filed on 1/27/05, the examiner identified six species, each species of which comprised a patentably distinct and independent payoff technique:

- a linear payoff technique;
- a binary payoff technique;
- a stock-based payoff technique
- an options-based payoff technique;
- a futures-based payoff technique; and
- a betting based payoff technique.

While the examiner thought that the patentably distinct and independent nature of the six species would be apparent on their face, examiner sought to further explain his reasoning in the Detailed Office Action filed on 04/04/2005. Unfortunately, the examiner's explanation was misconstrued by the applicant. The examiner believes that each denoted species is mutually exclusive and independent as the payoff technique disclosed in Claim 2, one species, recites limitations that are not found in the payoff technique disclosed in Claim 3, another species, and so forth.

Additionally, as stated in the original Requirement for Election/Restriction:

> Should applicant traverse on the ground that the species are not patentably distinct, applicant should submit evidence or identify such evidence now of record showing the species to be obvious variants or clearly admit on the record that this is the case. In either instance, if the examiner finds one of the inventions unpatentable over the prior art, the evidence or admission may be used in a rejection under 35 U.S.C. 103(a) of the other invention.

Therefore, the burden to refute an examiner's initial finding regarding the existence of independent or distinct species is then placed upon the applicant. An applicant may easily refute the examiner's finding by stating for the record that the non-elected claims do not represent independent or distinct species but are "obvious variants" of a payoff method. See MPEP § 809.02 (A).

Furthermore, as examiner has limited time to process pending applications, examiner is encouraged to not examine any additional features or claims of a pending application which are patently distinguishable or independent which are not elected by the applicant.

Regarding the 103 (a) rejection, the applicant argues that there exists no motivation to combine. The current examiner respectfully disagrees.

Chan discloses forming a system (a virtual stock market) for trading instruments (securities) "each associated with an underlying product or service" (see Chan, p. 1, lines 18 – 24) and that such "products or services could be a concept..." (see Chan, p. 1, lines 19 – 21). Davis discloses a system (online marketplace) for trading term-based concepts (keywords). (see Davis, col. 3, line 62 – col. 4, line 9). It would have been obvious to modify Chan and Davis by making the trading instrument's (securities) "underlying product or service" based upon a "concept", as disclosed by Chan, the term-

based concept (keyword), as disclosed by Davis. This would allow the term-based concepts (keywords), as disclosed by Davis, which are already traded and have a monetary value, as disclosed by Davis, to have derivative instruments based upon them, as disclosed by Chan, and have these derivative instruments traded in their own system, as disclosed by Chan.

Additionally, the applicant argues that neither Chan nor Davis disclose "determining a payoff based on an instrument and based on the determined value of the term-based concept." (see Applicant's Arguments, p 8). The current examiner respectfully disagrees and believes that the applicant misread the examiner's remarks in the previous Office Action.

Chan does disclose determining the payoff based upon the instrument (securities/portfolio). The payoff (profit/loss) is based upon the value of the instrument (securities/portfolio) at the market closing price (see Chan, p. 1, line 23 – p. 2, line 2).

> The objective of the market game is to maximize the value of the portfolio, evaluated at the market closing price. If participants play with real money, they will have the opportunity to profit from trading and bear the risk of losing money. The financial stakes in the game provide incentives to reveal true preferences, process information and conduct research. If fictitious money is used, prizes can be awarded according to individuals' performance.

When Chan is viewed in light of Davis, by making the instrument's underlying "product or service" the term-based concept (keyword), as disclosed by Davis, it would have been obvious that the instrument's value and payoff would be linked to the value of the underlying term-based concept, as is old and well known in the art that a financial instrument's value is linked to the value of the underlying product.

Conclusion

THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Jason M. Borlinghaus whose telephone number is (703) 308-9552. The examiner can normally be reached on 8:30am-5:00pm M-F.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung Sough can be reached on (703) 308-0505. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

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